

Testimony of Eric Price
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Before the Committee on Finance and Revenue

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The National Pastime. The Nation's Capital.







Discussion Topics

Overview

DC: A Powerful Market

Financial Proposal

Economic Benefits

Recap







Selection Process & Status

- Major League Baseball formed a Relocation
 Committee in order to select a location for the Montreal
 Expos to play in Spring 2004
- MLB outlined process: select city first then ownership group
- District attended preliminary meeting with MLB Relocation Committee in late January
- District made its formal presentation to MLB Relocation Committee March 20
- MLB Relocation Committee plans to make a location recommendation to Commissioner Selig in July



The Role of this Legislative Initiative

- The proposed legislation provides the tools for us to negotiate with Major League Baseball
 - ·Identifies the categories of revenue that will be used to finance the ballpark, and
 - •Puts the legal and financial structures in place to participate in a public private partnership
- •The legislation creates the ability to structure a financing plan and enter into negotiations.
 - No actual financing plan has been negotiated with MLB or a prospective ownership group
 - •The actual financing plan for such a deal will be voted on by the Council (like MCI Arena and the Convention Center)



The Role of this Legislative Initiative

The Ballpark Revenue Amendment Act of 2003

- ·Creates a Ballpark Revenue Fund:
 - •Establishes a sales tax of 10% for tickets, concessions and merchandise at the ballpark; and
 - •Establishes a Ballpark Fee assessed on a sliding scale against gross receipts that exempts 89% of eligible business.
- •Will take effect only if, on or before October 1, 2003, there is a binding agreement with MLB to relocate a team to the District.



Economic Benefits

- •Financing a ballpark represents an investment in the economy of the District of Columbia.
- •This investment supports neighborhood revitalization efforts and will have a catalytic effect on development in a growth corridor of the city.
- •We will show the economic benefits that a ballpark and team will bring to the District.
- •We will also review the kinds of financial commitments we will negotiate with an ownership group that will benefit the greater community.





Strength of the Market

- •5.1 Million People, 5th Largest in the Country
- •Effective Buying Income (EBI) is \$131 Billion, Making DC the 4th Largest EBI
- •Median Income is \$73,000, Making DC the 2nd Highest in the U.S.
- •The DC Television Market (DMA) has 5.7 Million Viewers, Making it the 8th Largest Market in the Country
- •20 Million Annual Visitors Spend \$5.9 Billion
 - 12 million visitors during baseball season



•DC is the Only Market in the Top 10 That Does Not

Strength of the Market

The District Conducted 3 In-depth Market Studies

- DC Resident Interest Survey
- Fan Interest Survey
- Corporate Interest Survey



Strength of the Market

DC Residents Survey: 504 DC Residents Regarding Bringing a MLB Team to DC

Showed consistent support across Wards, Racial, Ethnic and Gender Categories

80% Support Bringing Baseball to the District

72% Plan to Attend at Least One Game Per Year

77% Believe the Ballpark Will Help the District's Economy

77% Believe The Ballpark Would Bring Other Positive Developments to the Surrounding Area

Strength of the Market

Fan Interest Survey: 493 High Income Households in the Television Market

67% are Interested in Purchasing a Season Ticket Package at high price points

33% are Interested in Purchasing Single Game Tickets

Corporate Interest Survey: 100 DC Market Corporations Showed untapped market with significant interest at high price points; little impact on Orioles.

Advertising

42% Would Advertise at New DC Ballpark or be a Team Sponsor

Suites

28% Would Lease a Suite at New DC Ballpark Naming Rights

5 Local Companies Interested in Naming Pights







- Our financing model is built to demonstrate how we can support our financial commitment to Major League Baseball for funding a portion of a new ballpark and renovating RFK.
- •We have not proposed the use of any general fund revenues and have built a model that utilizes revenues that would not exist if not for the return of baseball to the District.
- •This financing model is based on diverse and reliable funding sources and the assumptions on which they are based are conservative.
- •While we have used conservative assumptions for the financing model, our market research indicates much greater revenue potential.

Assumptions

Gate:

- ⇒ 38,000 paid first year, 30,000 stabilized

Suites:

- **⇒** 87 leasable, 95% occupancy
- ⇒ \$125,000 average lease value

Club Seats:

- ⇒ 2,000, 97% occupancy
- ⇒ \$2,800 average lease value

Concessions, Merchandise, Parking:

- ⇒ 35,000 actual attendance first year, 28,000 stabilized



Proposed Deal

- DC's Financial Participation
 - ⇒ \$338 million (72%) of \$463 million of Total Project
 Cost
- Full Operational Control During Season for \$1 Per Year Lease



Bond Sources & Uses (In Millions)

Sources	
Cash	\$46.8
Bond Issuance	291.9
Total Sources	\$338.7
Uses	
New Stadium Develor	oment
\$275.0	
RFK Improvements	15.0
Reserve Funds	39.7
Cost of Issuance	9.0
Total Uses	\$338.7

- Dedicate Tax
 Streams in 2003
- Cash Fund RFK in 2004
- Cash Fund New Ballpark Pre-Development in 2004-2005
- Issue Bonds for New Ballpark in Early 2005

Source: UBS PaineWebber Inc,; Strategic Advisory Group...

Public Cash Flows (In Millions)

Financial Proposal

(In Millions)				
	2004	2005	2006	2007
Revenues				
Ballpark Sales Taxes	s\$10.1	\$9.4	\$8.5	\$11.9
Player Income Tax	4.5	4.6	4.8	4.9
Ballpark Fee	9.0	9.2	9.4	9.6
Subtotal	23.6	23.2	22.7	26.4
Debt Service	0	0	(7.0)	(14.0)
Project Funding (RFK, etc.)	(23.6)	(23.2)	0	0
Net Cash Flows	0	0	\$15.7	\$12.4
Coverage	- 174		3.24	1.89

Source: UBS PaineWebber Inc,; Strategic Advisory Group..

Projected Public Cash Flows with 20% Attendance Decline vs. Stabilized*
(In Millions)

2011

Revenues

(Stabilized Year)

Ballpark Sales Taxes \$8.6

Player Income Tax 5.3

Ballpark Fee 10.2

Subtotal 24.1

Debt Service (15.0)

Net Cash Flows \$9.1

Coverage 1.61

Financial Proposal

Sensitivity Analysis

Attendance sensitivity analyses indicate that, as proposed, even if attendance goes down 20%, the project will still maintain debt service coverage of over 1.5 x debt service

Source: UBS PaineWebber Inc,; Strategic Advisory Group...

^{*}Stabilized paid attendance is 30,340; stabilized actual attendance is

Projected Public Cash Flows with 50% Attendance Decline vs. Stabilized*

(In Millions)

2011

Revenues

(Stabilized Year)

Ballpark Sales Taxes \$5.6

Player Income Tax 5.3

Ballpark Fee 10.2

Subtotal \$21.1

Debt Service (15.0)

Net Cash Flows \$6.1

Coverage 1.41

Financial Proposal

Sensitivity Analysis

Attendance sensitivity analyses indicate that, as proposed, even if attendance goes down 50%, the project will still maintain debt service coverage of over 1.4 x debt service

Source: UBS PaineWebber Inc,; Strategic Advisory Group...

^{*}Stabilized paid attendance is 30,340; stabilized actual attendance is 27

Hypothetical Rank of 2002 Attendance (Current Projection - Stabilized)

		Game	
Rank	Team	Attendance	Facility/Built
13	Atlanta Braves	32,141	Turner Field
14	Houston Astros	31,078	Minute Maid Field
15	Washington* (*Projected)	30,340*	2000
16	Texas	29,404	Ballpark at Arlington 1994
17	Anaheim	28,463	Edison Field 1966

Hypothetical Rank in 2002 Attendance (Assuming 20% Attendance Loss vs. Stabilized)

Rank	Team	Average Game Attendance	Facility/Built
18	Oakland	26,787	Network
19	Milwaukee	24,310	Associates Miller Park 1968 2000
20	Washington* (*Projected)	24,272	
21	Minnesota	23,758	Metrodome
22	Cincinatti	23,197	Cinergy Field 1966

Hypothetical Rank in 2002 Attendance (Assuming 50% Attendance Loss vs. Stabilized)

		Average Game	
Rank	Team	Attendance	Facility/Built
26	Detroit	18,795	Comerica 2000
27	Kansas City	17,182	Kaufmann Stadium
28	Washington* (*Projected)	15,170*	1978
29	Tampa Bay	13,157	Tropicana Field
30	Florida	10,038	Pro Player 1993

DC's Financing

- UBS PaineWebber Inc. Advising the District
- Municipal Bond Insurers Have Reviewed Financing Package







Economic Benefits

- •Financing a ballpark represents an *investment* in the economy of the District of Columbia.
- •This investment supports neighborhood revitalization efforts and will have a catalytic effect on development in a growth corridor of the city.
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- •We will also review the kinds of financial commitments we will negotiate with an ownership group that will benefit the greater community.

Construction Benefits

The \$272 million construction project will:

- •Create 3,548 direct and indirect jobs over three years.
- •Generate direct and indirect payroll of \$130 million.
- •Result in spending of \$136 million in materials, \$34 million of this spending in the District.
- •Generate \$41 million in contracting; \$10 million in the District.
- Result in \$72 million in local economic activity



Inside the Ballpark Benefits

- •Ballpark operations will create 360 total jobs with associated payrolls of over \$94 million.
- •The Ballpark tenant will spend over \$135 million a year in operations.
- Total annual tax revenues to the District (discounting for leakages to other jurisdictions) are projected at \$23 million.



Outside the Ballpark Benefits

- •Nearly \$50 million will be spent outside the ballpark each year by visiting teams and fans supporting 675 jobs in the District.
- •That's 241 hotel jobs; 175 retail jobs 174 restaurant jobs; 114 transportation jobs and 71 parking jobs.
- •These jobs will represent over \$14 million in payroll.
- •Total visiting team and fan spending at restaurants will be almost \$18 million and spending at hotels will be over \$15 million (over 113,000 hotel room nights/year).



Total Impacts

- •The ongoing benefits of a ballpark will total over\$1.1 billion over a 30-year period.
- •Total annual tax collections for ballpark operations and outside the ballpark spending will come to almost \$29 million.
- Total tax collections for ballpark construction will be \$5 million.
- •By bringing baseball to the District, we have the opportunity to capture revenues that would otherwise be spent in another jurisdiction.
- •These will be mainly new revenues rather than

Impact of MCI Arena

- MCI Arena opened in 1997
- •By 2002, within 5 blocks of the Arena-
 - •25 projects worth \$1.2 billion paying \$54 million/year in taxes
 - 15,600 jobs created
- •By 2007, within 5 blocks of the Arena
 - •62 projects worth \$4.4 billion will be paying
 - \$141 million/year in taxes
 - 34,500 jobs will be created

Source: The Downtown Business Improvement District



Other Cities' Experiences



Denver – ballpark opened in 1995 -3,200 units of new housing built around Coors Field in ten years after the ballpark was first announced in 1991 (90% of these were built after 1995).

M Street, SE

15 Acres

(+5 Acre Waterfront Plaza)



Public Benefits

- •As with other publicly financed projects, the owners will be required to commit to DC resident hiring goals and LSDBE contracting requirements.
- As an example, standard First Source Agreements stipulate:

51% DC resident hiring 35% LSDBE usage

•Specific commitments will be negotiated with the team owners and become part of the overall transaction.



Public Benefits

The District will seek specific returns on our investment as part of a negotiated agreement with team owners:

- •Guarantee of 400-800 seats to each game for \$1-\$5
- •Minimum annual contribution from the Team Foundation to the District* such as:
 - •Direct 50% toward youth sports programs, fields and equipment
 - Direct 50% toward education and literacy programs



(*In Phoenix, minimum contribution is \$1,000,000 / year)





Recap

- We have a very strong market.
- We have viable sites.
- The proposed legislation is not a financing proposal.
- •We have a doable financing model based on conservative assumptions.
- •Financing a ballpark will create economic benefits to the city.
- •We have not proposed the use of general fund revenues.





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